

CITY OF MANSON
INDEPENDENT AUDITORS' REPORTS
PRIMARY GOVERNMENT
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

JUNE 30, 2009

CITY OF MANSON TABLE OF CONTENTS

	<u>Page</u>
Officials	1
Independent Auditors' Report	2 - 3
Basic Financial Statements:	
	<u>Exhibit</u>
Government-wide Financial Statements:	
Statement of Activities and Net Assets - Cash Basis	A 4 - 5
Fund Financial Statements:	
Statement of Cash Receipts, Disbursements, and Changes in Cash Balances - Governmental Funds	B 6 - 7
Statement of Cash Receipts, Disbursements, and Changes in Cash Balances - Proprietary Funds	C 8
Notes to Financial Statements	9 - 13
Required Supplementary Information:	
Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds	14 - 15
Notes to Required Supplementary Information - Budgetary Reporting	16
Other Supplementary Information:	
	<u>Schedule</u>
Schedule of Cash Receipts, Disbursements, and Changes in Cash Balances - Nonmajor Governmental Funds	1 17
Schedule of Indebtedness	2 18
Bond and Note Maturities.....	3 19
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	20 - 21
Schedule of Findings	22 - 24

CITY OF MANSON
OFFICIALS
JUNE 30, 2009

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
David George	Mayor	December 31, 2009
Jeff Bohn	Mayor Pro tem	December 31, 2009
Joe Horan	Council Member	December 31, 2011
Randy Kaiser	Council Member	December 31, 2011
Steve Smothers	Council Member	December 31, 2009
Paul Zeka	Council Member	December 31, 2009
Becky Thompson	Clerk/Treasurer	December 31, 2009

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Spencer, Iowa 51301-0175
Phone 712-262-3117
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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the City Council
City of Manson
Manson, IA 50563

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the City of Manson, as of and for the year ended June 30, 2009, which collectively comprise the basic financial statements of the City's primary government as listed in the table of contents. These financial statements are the responsibility of City of Manson's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information for the primary government of the City of Manson at June 30, 2009, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2010 on our consideration of the City of Manson's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of

our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Budgetary comparison information on pages 14 through 16 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

The City has not presented management's discussion and analysis which introduces the basic financial statements by presenting certain financial information as well as management's analytical insight on that information that the Government Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the City's primary government. Other supplementary information included in Schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Wintner, Stuart C. L.L.P." in a cursive script.

January 20, 2010

BASIC FINANCIAL STATEMENTS

CITY OF MANSON
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2009

		Program Receipts		
	<u>Disbursements</u>	<u>Charges for Service</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
FUNCTIONS/PROGRAMS:				
Governmental activities:				
Public safety	\$ 217,786		\$ 41,800	
Public works	251,268	\$117,109	157,062	
Health and social services	6,435			
Culture and recreation	192,371	25,285	2,279	
Community and economic development	73,956			
General government	229,657			
Debt service	166,354			
Total governmental activities	<u>1,137,827</u>	<u>142,394</u>	<u>201,141</u>	
Business-type activities:				
Water	237,693	191,949		
Sewer	154,282	158,748		
Total business-type activities	<u>391,975</u>	<u>350,697</u>		
TOTAL	<u>\$1,529,802</u>	<u>\$493,091</u>	<u>\$201,141</u>	<u>\$</u>
General Receipts:				
Property taxes levied for:				
General purposes				
Debt service				
Local option sales tax				
Unrestricted investment earnings .				
Loan proceeds				
Miscellaneous				
Total general receipts				
Change in cash basis net assets				
Cash basis net assets - beginning of year				
Cash basis net assets - end of year				
Cash basis net assets				
Restricted:				
Debt service				
Streets				
Other purposes				
Unrestricted				
Total cash basis net assets				

See Notes to Financial Statements

Exhibit A

Net (Disbursement) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (175,986)		\$ (175,986)
22,903		22,903
(6,435)		(6,435)
(164,807)		(164,807)
(73,956)		(73,956)
(229,657)		(229,657)
(166,354)		(166,354)
<u>(794,292)</u>		<u>(794,292)</u>
	\$ (45,744)	(45,744)
	4,466	4,466
	<u>(41,278)</u>	<u>(41,278)</u>
<u>(794,292)</u>	<u>(41,278)</u>	<u>(835,570)</u>
437,153		437,153
166,153		166,153
125,718		125,718
16,879	1,371	18,250
50,652		50,652
96,255	1,600	97,855
<u>892,810</u>	<u>2,971</u>	<u>895,781</u>
98,518	(38,307)	60,211
<u>1,009,686</u>	<u>322,466</u>	<u>1,332,152</u>
<u>\$1,108,204</u>	<u>\$284,159</u>	<u>\$1,392,363</u>
\$ 22,057	\$ 12,611	\$ 34,668
282,714		282,714
222,799		222,799
<u>580,634</u>	<u>271,548</u>	<u>852,182</u>
<u>\$1,108,204</u>	<u>\$ 284,159</u>	<u>\$1,392,363</u>

See Notes to Financial Statements

CITY OF MANSON
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2009

		<u>Special Revenue</u>
	<u>General</u>	<u>Road Use</u>
RECEIPTS:		
Property tax	\$311,684	
Licenses and permits	3,224	
Use of money and property	31,798	
Intergovernmental	81,860	\$157,062
Charges for service	142,394	
Miscellaneous	30,376	
TOTAL RECEIPTS	<u>601,336</u>	<u>157,062</u>
DISBURSEMENTS:		
Operating:		
Public safety	217,786	
Public works	109,083	142,185
Health and social services	6,435	
Culture and recreation	192,371	
Community and economic development	23,304	
General government	113,817	
Debt service		
TOTAL DISBURSEMENTS	<u>662,796</u>	<u>142,185</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>(61,460)</u>	<u>14,877</u>
OTHER FINANCING SOURCES (USES):		
Operating transfers in (out)	<u>8,457</u>	
TOTAL OTHER FINANCING SOURCES (USES)	<u>8,457</u>	
NET CHANGE IN CASH BALANCES	(53,003)	14,877
CASH BALANCE - BEGINNING OF YEAR	<u>633,637</u>	<u>267,837</u>
CASH BALANCE - END OF YEAR	<u>\$580,634</u>	<u>\$282,714</u>
CASH BASIS FUND BALANCES:		
Reserved:		
Debt service		
Unreserved:		
General fund	\$580,634	
Special revenue funds		<u>\$282,714</u>
TOTAL CASH BASIS FUND BALANCES	<u>\$580,634</u>	<u>\$282,714</u>

Exhibit B

<u>Debt Service</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Funds (Memorandum Only)</u>
\$166,153	\$261,142	\$ 738,979
		3,224
		31,798
		238,922
		142,394
	<u>50,652</u>	<u>81,028</u>
<u>166,153</u>	<u>311,794</u>	<u>1,236,345</u>
		217,786
		251,268
		6,435
		192,371
	50,652	73,956
	115,840	229,657
<u>166,354</u>		<u>166,354</u>
<u>166,354</u>	<u>166,492</u>	<u>1,137,827</u>
<u>(201)</u>	<u>145,302</u>	<u>98,518</u>
<u> </u>	<u>(8,457)</u>	<u> </u>
<u> </u>	<u>(8,457)</u>	<u> </u>
(201)	136,845	98,518
<u>22,258</u>	<u>85,954</u>	<u>1,009,686</u>
<u>\$ 22,057</u>	<u>\$222,799</u>	<u>\$1,108,204</u>
\$ 22,057		\$ 22,057
		580,634
<u> </u>	<u>\$222,799</u>	<u>505,513</u>
<u>\$ 22,057</u>	<u>\$222,799</u>	<u>\$1,108,204</u>

CITY OF MANSON
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2009

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
OPERATING RECEIPTS:			
Charges for service	\$191,949	\$158,748	\$350,697
Miscellaneous		1,600	1,600
TOTAL RECEIPTS	<u>191,949</u>	<u>160,348</u>	<u>352,297</u>
OPERATING DISBURSEMENTS:			
Business type activities	<u>237,693</u>	<u>28,875</u>	<u>266,568</u>
TOTAL OPERATING DISBURSEMENTS	<u>237,693</u>	<u>28,875</u>	<u>266,568</u>
EXCESS (DEFICIENCY) OF OPERATING RECEIPTS OVER (UNDER) OPERATING DISBURSEMENTS	<u>(45,744)</u>	<u>131,473</u>	<u>85,729</u>
NONOPERATING RECEIPTS (DISBURSEMENTS):			
Interest on investments	1,371		1,371
Debt service		<u>(125,407)</u>	<u>(125,407)</u>
TOTAL NONOPERATING RECEIPTS (DISBURSEMENTS)	<u>1,371</u>	<u>(125,407)</u>	<u>(124,036)</u>
NET CHANGE IN CASH BALANCES	(44,373)	6,066	(38,307)
CASH BALANCE - BEGINNING OF YEAR	<u>229,236</u>	<u>93,230</u>	<u>322,466</u>
CASH BALANCE - END OF YEAR	<u>\$184,863</u>	<u>\$ 99,296</u>	<u>\$284,159</u>
CASH BASIS FUND BALANCES:			
Reserved for debt service		\$ 12,611	\$ 12,611
Unreserved	<u>\$184,863</u>	<u>86,685</u>	<u>271,548</u>
TOTAL CASH BASIS FUND BALANCES	<u>\$184,863</u>	<u>\$ 99,296</u>	<u>\$284,159</u>

NOTES TO FINANCIAL STATEMENTS

CITY OF MANSON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Manson, Iowa is a political subdivision of the State of Iowa located in Calhoun County. The City operates under the Mayor-Council form of government with the Mayor and City Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general government. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City has included all funds, organizations, agencies, boards, commissions, and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City has no component units which meet the Government Accounting Standards Board criteria.

Jointly Governed Organizations

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Calhoun County Assessor's Conference Board, Calhoun County Emergency Management Commission, Calhoun County Joint E911 Service Board, Calhoun County Economic Development, Calhoun County Ambulance Authority, North Central Iowa Regional Solid Waste Agency, and Calhoun County Landfill Authority.

B. Basis of Presentation

Government-Wide Financial Statements - The statement of activities and net assets reports information on all of the nonfiduciary activities of the primary government of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The statement of activities and net assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets results when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The statement of activities and net assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants, contributions, and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Fund is used to account for road construction and maintenance.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

Additionally, the City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City of Manson maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable or accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, disbursements did not exceed the amounts budgeted.

2. CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; certain prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; and certain registered open-ended management investment companies.

Interest rate risk - the City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

3. BONDS AND NOTES PAYABLE

Annual debt service requirements to maturity for general obligation bonds and sewer revenue note are as follows:

Year Ending June 30,	General Obligation Bonds		Sewer Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$130,000	\$24,085	\$ 78,000	\$ 44,280	\$ 208,000	\$ 68,365
2011	80,000	19,360	80,000	41,940	160,000	61,300
2012	85,000	16,680	82,000	39,540	167,000	56,220
2013	85,000	13,705	85,000	37,080	170,000	50,785
2014	90,000	10,645	87,000	34,530	177,000	45,175
2015 - 2019	190,000	11,020	476,000	131,880	666,000	142,900
2020 - 2024			490,000	57,780	490,000	57,780
2025			98,000	2,940	98,000	2,940
Total	<u>\$660,000</u>	<u>\$95,495</u>	<u>\$1,476,000</u>	<u>\$389,970</u>	<u>\$2,136,000</u>	<u>\$485,465</u>

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$1,813,000 in sewer revenue notes issued in January 2002 and September 2004. Proceeds from the notes provided financing for the construction of improvements to the sewer treatment plant. The notes are payable solely from sewer customer net receipts and are payable through 2025. Annual principal and interest payments on the notes are expected to require less than 96 percent of net receipts. The total principal and interest remaining to be paid on the notes is \$1,865,970. For the current year, principal and interest paid and total customer net receipts were \$125,407 and \$131,473, respectively.

The resolutions providing for the issuance of the revenue notes include the following provisions.

- (a) The notes are subject to optional redemption at a price of par plus accrued interest after January 2012 and September 2014 for the Series 2002 and Series 2004 Revenue Notes, respectively.
- (b) The notes will only be redeemed from the future earnings of the sewer enterprise activity and the note holders hold a lien on the future earnings of the fund.
- (c) Sufficient monthly transfers shall be made to separate sewer revenue notes sinking and reserve funds for the purpose of making the principal and interest payments when due.

During the fiscal year ended June 30, 2009, the City also had the following unsecured short-term note activity with a local nonprofit organization. Proceeds of the note were loaned on a short-term basis to develop local housing and were repaid in full, with interest at 4.0% at June 30, 2009:

Original date	4-25-2008
Maturity date	8-21-2008
Interest rate	4.0%
Balance - June 30, 2008	-0-
Advance	\$50,000
Repayments	<u>(50,000)</u>
Balance - June 30, 2009	<u>\$ 0</u>

4. PENSION AND RETIREMENT BENEFITS

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, IA 50306-9117.

Most regular plan members are required to contribute 4.10% of their annual covered salary and the City is required to contribute 6.35% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate, respectively. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2009 was \$10,620, equal to the required contribution.

5. COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation time for subsequent use or for payment upon termination, retirement, or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation time termination payments payable to employees at June 30, 2009, primarily relating to the General Fund, is approximately \$10,617. The liability for compensated absences has been computed based on rates of pay as of June 30, 2009.

6. INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue: Emergency	\$ 8,457
Total		<u>\$ 8,457</u>

7. CLOSURE AND POSTCLOSURE CARE COSTS

During the fiscal year ended June 30, 2009, the City incurred approximately \$100 due Calhoun County Landfill Authority for its per capita assessment for costs associated with the landfill which was closed in 1992. To comply with State regulations, the Landfill authority will be incurring future expenses for the monitoring and care of the closed landfill. Member political subdivisions are assessed per capita fees on an annual basis depending on estimated costs to be incurred.

The City is also a member of an operating landfill organization and is annually assessed per capita fees based on the estimated costs of operating the landfill. The City will record any closure and post closure care costs when disbursements are made for such expenses subsequent to the closure of the landfill. There are currently no plans to close the landfill.

8. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

9. SUBSEQUENT EVENTS

In July 2009, the City entered into a construction contract for street improvements totaling approximately \$715,000 which was financed through the issuance of \$750,000 general obligation notes in August 2009. The City also entered into a contract for engineering services totaling approximately \$250,000 related to anticipated water improvement projects in July 2009 and paid approximately \$50,000 in drainage district assessments in September 2009.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MANSON
BUDGETARY COMPARISON SCHEDULE OF
RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2009

	Governmental Fund Types <u>Actual</u>	Proprietary Fund Type <u>Actual</u>	<u>Total</u>
RECEIPTS:			
Property and other city taxes	\$ 738,979		\$ 738,979
Licenses and permits	3,224		3,224
Use of money and property	31,798	\$ 1,371	33,169
Intergovernmental	238,922		238,922
Charges for service	142,394	350,697	493,091
Miscellaneous	<u>81,028</u>	<u>1,600</u>	<u>82,628</u>
TOTAL RECEIPTS	<u>1,236,345</u>	<u>353,668</u>	<u>1,590,013</u>
DISBURSEMENTS:			
Public safety	217,786		217,786
Public works	251,268		251,268
Health and social services	6,435		6,435
Culture and recreation	192,371		192,371
Community and economic development	73,956		73,956
General government	229,657		229,657
Debt service	166,354		166,354
Business-type activities		<u>391,975</u>	<u>391,975</u>
TOTAL DISBURSEMENTS	<u>1,137,827</u>	<u>391,975</u>	<u>1,529,802</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	98,518	(38,307)	60,211
BALANCES - BEGINNING OF YEAR	<u>1,009,686</u>	<u>322,466</u>	<u>1,332,152</u>
BALANCES - END OF YEAR	<u>\$1,108,204</u>	<u>\$ 284,159</u>	<u>\$1,392,363</u>

<u>Budgeted Amounts</u>		Final to Actual
<u>Original</u>	<u>Final</u>	Variance Positive (Negative)
\$ 611,832	\$ 740,832	\$ (1,853)
3,400	3,400	(176)
37,003	37,003	(3,834)
198,206	204,175	34,747
485,550	491,750	1,341
<u>13,000</u>	<u>65,328</u>	<u>17,300</u>
<u>1,348,991</u>	<u>1,542,488</u>	<u>47,525</u>
182,310	235,605	17,819
262,612	308,812	57,544
6,435	6,435	
155,478	228,478	36,107
26,900	77,553	3,597
248,202	266,202	36,545
166,354	166,355	1
<u>355,700</u>	<u>445,700</u>	<u>53,725</u>
<u>1,403,991</u>	<u>1,735,140</u>	<u>205,338</u>
(55,000)	(192,652)	<u>\$ 252,863</u>
<u>1,332,153</u>	<u>1,332,153</u>	
<u>\$1,277,153</u>	<u>\$1,139,501</u>	

CITY OF MANSON
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
JUNE 30, 2009

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds, except fiduciary funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business-type activities and non-program. Function disbursements required to be budgeted include disbursements for the general fund, special revenue funds, debt service fund, capital projects funds and proprietary funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$331,149. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2009, disbursements did not exceed the amounts budgeted.

OTHER SUPPLEMENTARY INFORMATION

CITY OF MANSON
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2009

	Special Revenue			Trust & Agency	Total Nonmajor Governmental Funds
	LOST	Housing Rehabilitation	Emergency		
RECEIPTS:					
Property tax	\$125,718		\$ 8,457	\$126,967	\$261,142
Miscellaneous		\$ 50,652			50,652
TOTAL RECEIPTS	<u>125,718</u>	<u>50,652</u>	<u>8,457</u>	<u>126,967</u>	<u>311,794</u>
DISBURSEMENTS:					
Operating:					
Community and economic development		50,652			50,652
General government				115,840	115,840
TOTAL DISBURSEMENTS		<u>50,652</u>		<u>115,840</u>	<u>166,492</u>
EXCESS OF RECEIPTS OVER DISBURSEMENTS	125,718		8,457	11,127	145,302
OTHER FINANCING SOURCES (USES):					
Operating transfers out			(8,457)		(8,457)
TOTAL OTHER FINANCING SOURCES (USES)			<u>(8,457)</u>		<u>(8,457)</u>
NET CHANGE IN CASH BALANCES	125,718			11,127	136,845
BALANCES - BEGINNING OF YEAR		1,074		84,880	85,954
BALANCES - END OF YEAR	<u>\$125,718</u>	<u>\$ 1,074</u>	<u>\$</u>	<u>\$ 96,007</u>	<u>\$222,799</u>
CASH BASIS FUND BALANCES:					
Unreserved:					
Special revenue funds	\$125,718	\$ 1,074		\$ 96,007	\$222,799
TOTAL CASH BASIS FUND BALANCES	<u>\$125,718</u>	<u>\$ 1,074</u>	<u>\$</u>	<u>\$ 96,007</u>	<u>\$222,799</u>

CITY OF MANSON
SCHEDULE OF INDEBTEDNESS
YEAR ENDED JUNE 30, 2009

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>	<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
General Obligation Debt:									
Street improvement bonds	Nov. 1, 2001	3.20 - 4.25%	340,000	\$ 100,000		\$ 50,000	\$ 50,000	\$ 4,625	
Aquatic center	Dec. 1, 2003	1.90 - 3.90%	900,000	685,000		75,000	610,000	24,610	
				785,000		125,000	660,000	29,235	
Revenue Notes:									
Sewer	Jan. 24, 2002	3.00%	309,000	220,000		14,000	206,000	7,150	
Sewer	Sept. 29, 2004	3.00%	1,504,000	1,331,000		61,000	1,270,000	43,257	
				1,551,000		75,000	1,476,000	50,407	
TOTAL				\$2,336,000		\$200,000	\$2,136,000	\$ 79,642	

CITY OF MANSON
BOND AND NOTE MATURITIES
JUNE 30, 2009

Year Ending June 30,	General Obligation Bond Issued November 1, 2001		General Obligation Bond Issued December 1, 2003		General Obligation Total
	Interest Rates	Amount	Interest Rates	Amount	
2010		\$ 50,000		\$ 80,000	\$ 130,000
2011				80,000	80,000
2012				85,000	85,000
2013				85,000	85,000
2014				90,000	90,000
2015				95,000	95,000
2016				95,000	95,000
		<u>\$ 50,000</u>		<u>\$ 610,000</u>	<u>\$ 660,000</u>

Year Ending June 30,	Sewer Revenue Note Issued January 24, 2002		Sewer Revenue Note Issued September 29, 2004		Revenue Notes Total
	Interest Rates	Amount	Interest Rates	Amount	
2010		\$ 15,000		\$ 63,000	\$ 78,000
2011		15,000		65,000	80,000
2012		15,000		67,000	82,000
2013		16,000		69,000	85,000
2014		16,000		71,000	87,000
2015		17,000		73,000	90,000
2016		17,000		75,000	92,000
2017		18,000		77,000	95,000
2018		18,000		80,000	98,000
2019		19,000		82,000	101,000
2020		20,000		85,000	105,000
2021		20,000		87,000	107,000
2022				90,000	90,000
2023				93,000	93,000
2024				95,000	95,000
2025				98,000	98,000
		<u>\$206,000</u>		<u>\$1,270,000</u>	<u>\$1,476,000</u>

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and
Members of the City Council
City of Manson, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the primary government of the City of Manson, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated January 20, 2010. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing our opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency and a material weakness.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process or report financial data reliably in accordance with an other

comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described above, item I-A-09, is a material weakness.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of the City of Manson and other parties to whom the City may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Wintner, Steve & Co. LLP

January 20, 2010

CITY OF MANSON
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2009

Part I: Findings Related to the Financial Statements

Instances of Noncompliance:

No matters were noted

Reportable Condition:

I-A-09 Segregation of Duties - One important aspect of internal control over financial reporting is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted employees were performing incompatible functions.

Recommendation - We realize that it is difficult to appropriately segregate duties when the number of employees is limited. Therefore, we recommend the Council maintain their diligence in the review of the financial records.

Response - We will continue our review.

Conclusion - Response accepted.

CITY OF MANSON
SCHEDULE OF FINDINGS - Continued
FOR THE YEAR ENDED JUNE 30, 2009

Part II: Other Findings Related to Required Statutory Reporting

- II-A-09 Certified Budget - Disbursements during the year ended June 30, 2009 did not exceed the amounts budgeted.
- II-B-09 Questionable Disbursements - We noted no expenditures for parties, banquets, or other entertainment for employees that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-09 Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.
- II-D-09 Business Transactions - We noted no business transactions between the City and City officials or employees.
- II-E-09 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- II-F-09 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.
- II-G-09 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.
- II-H-09 Revenue Notes - The City's net revenues from sewer operations for the fiscal year ended June 30, 2009 and those established in the sewer budget for 2010 are below the bond resolution requirement to exceed 110% of required principal and interest payments.

Recommendation - The City should establish rates which will provide net revenues which exceed 110% of required principal and interest payments.

Response - We will establish sewer rates sufficient to satisfy the requirements for net revenues.

Conclusion - Response accepted.

CITY OF MANSON
SCHEDULE OF FINDINGS - Continued
FOR THE YEAR ENDED JUNE 30, 2009

Part II: Other Findings Related to Required Statutory Reporting - Continued

II-I-09 Code of Ordinances - We noted the City has not compiled a code of ordinances in the past five years as required by Chapter 380.8(2) of the Code of Iowa.

Recommendation - We recommend the City compile a code of ordinances in accordance with Chapter 380.8(2) of the Code of Iowa.

Response - We will consider compiling a code of ordinances when our budget allows.

Conclusion - Response acknowledged.